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	PA-00	PM-00	GIWI-00	PRS-00	P-00	SGAC-00	ISNE-00
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SUBJECT: BUDGET TRANSPARENCY DEMARCHE DELIVERED TO MINISTER OF FINANCE

REF: STATE 81177

1.(U) SUMMARY: Ambassador Eastham met November 10 with Minister of Finance Gilbert Ondongo to deliver the demarche on budget transparency (Reftel) to encourage transparency in the Congolese budget process and to describe the waiver process for U.S. assistance. Minister Ondongo was somewhat puzzled that the U.S. regarded the Congo(B) budget as lacking transparency but agreed that transparency is essential. He described the transparency built into the budget process. Congo's Cabinet discussion of the 2010 draft budget commenced on November 6th. END SUMMARY.

2.(U) Minister Ondongo, who took office in September with the new government, explained that the budget preparation for Congo(B)'s calendar year 2010 budget began in early 2009 with internal consideration within the Finance Ministry of the prevailing revenue environment, with special attention to the country's oil production, projection of the international price of oil into 2010, and consideration of the projected exchange rate environment. Line ministries made their expenditure proposals to Finance Ministry staff at the technical level commencing in June, 2009. Following the July 12 Presidential election, President Sassou-Nguesso issued new budget guidance in the form of a framework letter to the cabinet, at which point adjustments were made. The final step was a series of individual, Minister-level meetings between each line Minister and the Minister of Finance in September 2009 (during which, he observed, each Minister requested "most" of the government budget). This process resulted in the draft budget which was presented to the Cabinet on November 6. Once the cabinet has agreed, the draft budget law will be sent to the Parliament for consideration. The Minister noted that targets will be set in January 2010 for the 2011 budget.

3. (U) With respect to transparency in budget formulation and execution, the Minister pointed out that the budget is formulated in accordance with the "mid-term expenditure framework" developed by the Congo(B) government in partnership with the World Bank under the HIPC program, and that it is in full accord with the poverty reduction strategy paper, also a HIPC "trigger." Moreover, he said, on the execution side, monthly spending tables are reviewed by the IMF and adjusted by the Ministry in accordance with IMF advice to ensure that actual execution is in agreement with the framework. Moreover, he said, in the HIPC "triggers" there is a requirement that Congo(B) post all budget documents on an internet site, which is being done. With all this review, he said, he found it difficult to understand why the United States had concerns about transparency in the budget process.

4. (U) In response to a question from the Ambassador regarding the role of donor assistance in the Congolese budget, the Minister said that Congo in fact has plenty of money and could

meet its budget needs from revenue. He expressed some concern that in fact, the government was too conservative in its expenditures, i.e. maintaining too much in its "future fund" and clearly indicated that his preference would be to invest more in infrastructure and social programs in the short term from its budget resources, rather than depending to a large extent on foreign (i.e. Chinese) financing for infrastructure projects. There was a sum of 112 billion CFA (around 255 million USD) in the budget that reflected the Chinese funding, as well as smaller amounts relating to other foreign contributions as well as the funding from anticipated HIPC debt service relief. He noted that he strongly supported an audit of infrastructure spending to ensure that Congo(B) was getting value for money.

¶15. (U) Minister Ondogo noted that the draft budget proposed on November 6 reflects a surplus of around 50% of anticipated revenues, (i.e. expected receipts are twice the proposed expenditures) which he partially attributed to rising oil production and a favorable oil price environment. According to the Minister, the budget conservatively assumes oil prices in the range of \$63 per barrel for 2010 and anticipates, based on new production coming on line, that there will be an approximately 25% increase in oil production. With increased production and stable oil prices, Congo will experience strong revenue, and the Minister emphasized that he expects it is possible that oil prices will in fact exceed the assumed amount in 2010. The Minister cited the budget as projecting revenue of approximately 2,814 billion Francs CFA (6.4 billion USD), of which only 1,450 billion Francs CFA (3.3 billion USD) is currently proposed on the expenditure side.

¶16. (U) Minister Ondongo agreed to send a transparency summary in writing to the Embassy.

¶17. (U) Bio note: Ondongo was previously the Labor Minister. He served as chief economic advisor to the President's 2009 campaign for re-election. He holds a PhD in Economics from France, and has served as Professor of Economics at the university here. He takes credit for the successful privatization of the MINOCO flour mill (currently the only non-petroleum U.S. investment in Congo).

EASTHAM